



Summary of Consolidated Financial Results for 2nd quarter (interim) of the Year ending March 31, 2025 (Based on Japanese GAAP)

November 14, 2024

Company Name: SAAF Holdings Co., Ltd.

Listed Stock Exchange: Tokyo

Stock code: 1447 URL <https://www.saaf-hd.co.jp/>

Representative: (title) Representative Director & President (name) Toshimori Mae

Contact person: (title) Senior Executive Officer, General Manager of Management Headquarters and CFO (name) Takashi Noma TEL 03-6770-9970

Scheduled date of submitting interim securities report November 14, 2024 Scheduled start date of dividend payment —

Preparation of supplementary material on quarterly financial results: No

Holding of quarterly financial results briefing meeting: Yes (financial results briefing meeting for institutional investors)

(Amounts less than one million yen are rounded down)

1. Consolidated operating results for the 2nd quarter ended September 30, 2024 (interim period) of the Year ending March 31, 2025 (from April 1, 2024 to September 30, 2024)

(1) Consolidated operating results (Cumulative total) Percentages indicate changes compared with the 2nd quarter of the previous fiscal year

	Net sales		Operating profit		Ordinary profit		Quarterly net profit attributable to owners of parent	
	JPY million	%	JPY million	%	JPY million	%	JPY million	%
Interim period of FY ending March 2025	13,718	△0.9	△79	—	△169	—	△280	—
Interim period of FY ended Marh 2024	13,848	△3.3	△31	—	11	—	△196	—

(reference) Comprehensive income: Interim period of FY ending March 2025 JPY △289 million (- %)

Interim period of FY ended Marh 2024 JPY △262 million (- %)

	Earnings per share of interim net profit	Diluted earnings per share of interim net profit
	JPY	JPY
Interim period of FY ending March 2025	△11.47	—
Interim period of FY ended Marh 2024	△8.15	—

(Note) Regarding “interim net income per share after adjusting for diluted shares” for the previous interim consolidated accounting period and the current interim consolidated accounting period, although there are dilutive shares, it is not stated because we reported an interim net loss per share.

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	JPY million	JPY million	%
Interim period of FY ending March 2025	16,821	2,824	15.5
Full fiscal year ended March 2024	18,051	3,120	16.0

(reference) Equity capital Interim period of FY ending March 2025 JPY 2,613 million

FY ended March 31, 2024 JPY 2,895 million

2. Cash dividends

	Annual dividends per share				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Fiscal year end	Total
	JPY	JPY	JPY	JPY	JPY
Fiscal Year ended Mach 2024	—	0.00	—	0.00	0.00
Fiscal Year ending March 2025	—	0.00			
Fiscal Year ending March 2025 (forecast)			—	6.00	6.00

(Note) 1. Whether there has been any revision from the most recently announced dividend forecast: None

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3. Forecast of consolidated financial results for the year ending March 31, 2025 (from April 1, 2024, to March 31, 2025)

(Percentages indicate changes rate compared with the previous fiscal year)

	Net Sales		Operating Profit		Ordinary Profit		Profit attributable to owners of parent		Net Sales
	JPY million	%	JPY million	%	JPY million		JPY million	%	JPY
Full fiscal year	31,300	6.9	1,090	52.7	970	26.3	280	52.8	11.45

(Note) Whether there has been any revision to the earnings forecast announced at the beginning of the fiscal year: None

*Notes

(1) Significant changes in the scope of consolidation during the current interim period ended September 30, 2024: No

New: 0 companies (name of company) - excluded: 0 companies (name of company) -

(2) Application of accounting treatments specific to the preparation of interim consolidated financial statements: Yes

(Note) For details, please see attached document titled "2. Interim consolidated financial statements and major notes (4) Notes regarding interim consolidated financial statements (application of accounting treatments specific to the preparation of interim consolidated financial statements)" on page 11.

(3) Changes in accounting policies, changes in accounting estimates, and changes and revised restatements of accounting estimates

① Changes in accounting policies due to revisions to accounting standards and other regulations : Yes

② Changes in accounting policies due to other than above ① : Yes

③ Changes in accounting estimates : No

④ Revised restatement : No

(Note) For details, please see attached document titled "2. Interim consolidated financial statements and major notes (4) Notes regarding interim consolidated financial statements (changes in accounting policies)" on page 12.

(4) Number of issued shares (common shares)

① Total number of issued shares at the end of current interim period and the previous fiscal year (including treasury shares)

As of September 30, 2024 (Interim period of FY ending March 2025)	24,446,958 shares	As of March 31, 2024	24,446,958 shares
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② Number of treasury shares at the end of interim period of current and previous fiscal years

As of September 30, 2024 (interim period of FY ending March 2025)	2,277 shares	As of March 31, 2024	- shares
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③ Average number of shares during interim period of fiscal year

During the interim period of FY ending March 2025	24,446,472 shares	During the interim period of FY ended March 31, 2024	24,133,023 shares
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*The second quarter (interim period) financial results report is not subject to review by a certified public accountant or an auditing firm.

* Explanation regarding the appropriate use of earnings forecasts and other special notes

Statements regarding the future such as the business performance forecasts contained in this material are based on information currently available to the Company and certain assumptions that the Company deems to be reasonable, and our company does not promise to achieve this goal. Actual results may differ significantly due to a range of factors. Regarding the conditions underlying the performance forecast and notes on using the performance forecast, please refer to the attached document "1. Qualitative information regarding the current interim financial results (3) Explanation regarding future forecast information such as consolidated performance forecasts" on page 4.

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1. Qualitative information regarding the current interim financial results

(1) Explanation of operating results for the interim period ended September 30, 2024

During the current interim accounting period of the fiscal year ending March 31, 2025, the Japanese economy continued to show a gradual recovery trend, with improvements in corporate profits, employment and capital investment, and the income environment. On the other hand, although the global economy was recovering, the outlook for the global economy remained uncertain due to concerns about the effects of global financial tightening and the unstable international situation.

In the information services industry, which is one of our group's core businesses, it has continued to move away from legacy systems and shift to social digital transformation, and companies are actively investing in IT such as the growing popularity of cloud computing, expanding the use of big data and AI, and promotion of IoT, etc., where the total sales of the information services industry in July and August 2024 increased by 5.4% compared to the same month of the previous year (Source: "Current Statistics on Specified Service Industries", Ministry of Economy, Trade and Industry). On the other hand, there was a strong sense of a shortage of engineers, and the situation has continued to be difficult in terms of securing human resources.

In the construction industry, another mainstay of our business, although public investment remains steady, due to factors such as housing sales prices rising or remaining high caused by soaring material prices, and a decline in consumer confidence caused by rising prices of goods, etc., new housing starts decreased by 0.8% compared to the same period last year (Source: "Statistical Survey on Construction Starts" Ministry of Land, Infrastructure, Transport and Tourism).

Under such business environment, our group has promoted business in each segment with the aim of increasing corporate value.

Our group's business results for the current interim accounting period are as follows:

Sales was JPY 13,718,918,000 (99.1% compared to the corresponding period of previous fiscal year), gross profit was JPY 3,318,104,000 (96.1% compared to the corresponding period of previous fiscal year), selling, general and administrative expenses was JPY 3,397,107,000 (97.5% compared to the corresponding period of previous fiscal year), operating loss was JPY Δ 79,002,000 (operating loss of JPY Δ 31,399,000 in the corresponding period of previous fiscal year), ordinary loss was JPY Δ 169,205,000 (ordinary income was JPY 11,805,000 in the corresponding period of previous fiscal year), and interim net loss attributable to parent company shareholders was JPY Δ 280,502,000 (interim net loss attributable to parent company shareholders was JPY Δ 196,772,000 for the corresponding period of previous fiscal year).

(Unit: JPY Thousand)

	Interim accounting period of the previous fiscal year	Interim accounting period of the current fiscal year	Increase/decrease amount	Compared to the corresponding period of the previous fiscal year (%)
Sales	13,848,713	13,718,918	Δ 129,795	99.1
Gross profit	3,452,292	3,318,104	Δ 134,187	96.1
Selling, general and administrative expenses	3,483,691	3,397,107	Δ 86,584	97.5
Operating loss (Δ)	Δ 31,399	Δ 79,002	Δ 47,603	—
Ordinary income or ordinary loss (Δ)	11,805	Δ 169,205	Δ 181,010	—
Interim net loss attributable to parent company shareholders (Δ)	Δ 196,772	Δ 280,502	Δ 83,729	—

The results of each business segment are as follows:

① Consulting business

In the consulting business, ITbook Co., Ltd. has worked to increase orders for consulting projects from central government agencies, independent administrative agencies, local governments, etc., taking advantage of the trust and knowledge, we have accumulated from customers in the past, such as responding to the My Number system and the MyKey platform.

Mirai Co., Ltd. is a consulting firm and think tank whose members with various specialized fields combining their knowledge and experience to revitalize and regen regions in Japan and abroad, and has worked as a partner for government agencies and companies to propose strategies and plans and receive orders towards fundamental solutions to various social issues in order to solve various social issues.

As a result, sales in the consulting business was JPY 720,898,000 (338.0% compared to the corresponding period of previous fiscal year), and segment loss was JPY Δ 75,603,000 (segment loss was JPY Δ 259,369,000 for the corresponding period of previous fiscal year).

Please note that ITbook Co., Ltd. has changed its method of recording sales starting from the current interim consolidated accounting period. For details, please see attached document titled "2. Interim consolidated financial statements and major notes (4) Notes regarding interim consolidated financial statements (Changes in accounting policy)" on page 10.

② System development business

In the system development business, we worked to develop software with the focus on nearshore development business

and develop and sell products in the IoT equipment field.

As a result, sales in the system development business was JPY 1,442,464,000 (100.2% compared to the corresponding period of previous fiscal year), and segment profit was JPY 29,137,000 (102.2% compared to the corresponding period of previous fiscal year).

③ Human resources business

In the human resources business, we worked to secure human resources and develop companies to which we can dispatch our staffs in the field of dispatching engineers as well as dispatching human resource for the manufacturing industry, distribution industry, and teachers.

As a result, sales for the human resources business was JPY 2,960,945,000 (97.9% compared to the corresponding period of previous fiscal year) and segment profit was JPY 63,391,000 (41.7% compared to the corresponding period of previous fiscal year).

④ Ground investigation and improvement business

In the ground investigation and improvement business, Something Co., Ltd. has tried to promote sales of the “screw friction pile construction method”, which constructs reinforcements with spiral knots of stable quality.

In addition, we worked hard to promote sales of the Column Z construction method and large-diameter steel pipe piles for small commercial facilities and low-rise condominiums and/or the Ecogeo method uses only natural crushed stone which is also related to the “SDGs”, being positioned as a product to promote sales of the ground improvement method.

Earth Prime Co., Ltd., which operates a soil investigation and testing business, worked hard to receive orders from major general contractors for soil testing for large-scale land preparation projects, and for boring surveys from major construction developers.

TOMEI Co., Ltd., which specializes in civil engineering foundation work related to railways, has worked hard to focus on orders from major general contractors for “TBH construction method” and “BH construction method” that enable large diameter excavation under construction conditions in narrow and low spaces.

san-ai home Inc. which operates a real estate business, mainly in Kawagoe City, Saitama Prefecture, and along the Tobu Tojo Line, strives to buy and sell real estate by taking advantage of the characteristics of a local company.

As a result, sales for the ground investigation and improvement business was JPY 8,085,933,000 (100.8% compared to the corresponding period of previous fiscal year), and segment profit was JPY 187,146,000 (69.0% compared to the corresponding period of previous fiscal year).

⑤ Guarantee inspection business

In the guarantee inspection business, in addition to promoting sales of the comprehensive ground guarantee “THE LAND”, we worked to receive orders for second opinion ground guarantees, quality inspections for newly built homes, and home completion guarantees.

As a result, sales in the guarantee inspection business was JPY 126,985,000 (83.4% compared to the corresponding period of previous fiscal year), and segment profit was JPY 46,963,000 (197.8% compared to the corresponding period of previous fiscal year).

⑥ Construction technology business

In the construction technology business, we worked hard to sell our main product, the “GeoWeb System” which is used in the basic system of a major house builder, because it can strengthen the recording and management of various business data related to housing construction (fraud/tamper prevention function) and automate operations. We also worked to expand our business by linking with customers' base systems and to develop customization projects.

Furthermore, as a new business, we worked to develop and promote sales of 3D cameras (4D products) for the Japanese market, which can be used in a wide range of fields such as construction, surveying, and entertainment.

As a result, sales in the construction technology business was JPY 204,191,000 (84.8% compared to the corresponding period of previous fiscal year), and segment loss was JPY Δ 10,178,000 (segment loss was JPY Δ 10,332,000 in the same corresponding period of previous fiscal year).

⑦ Overseas business

In our overseas business, we worked to win orders for infrastructure development (embankment, roads, bridges), ground surveys for solar and wind power generation in renewable energy power generation projects, and temporary construction work related to sewerage construction in Vietnam. However, during the current interim consolidated accounting period, there continued to be a shortage of materials (embankment materials) in the region, resulting in construction delays due to soaring material prices and delivery delays.

As a result, overseas business sales was JPY 77,638,000 (15.9% compared to the corresponding period of previous fiscal year), and segment loss was JPY Δ 35,589,000 (segment profit was JPY 9,311,000 in the corresponding period of previous fiscal year).

⑧ Other business

The total sales of the financial business, M&A advisory business, data analysis business using drones, etc. was JPY 99,860,000 (37.0% compared to the corresponding period of previous fiscal year), and the segment loss was JPY Δ 72,712,000 (segment loss was JPY Δ 726,000 in the corresponding period of previous fiscal year).

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(Unit: JPY Thousand)

	Previous interim period		Current interim period		Increase/ decrease amount	Compared to the corresponding period of the previous fiscal year (%)
	Sales	Composition ratio (%)	Sales	Composition ratio (%)		
Consulting business	213,301	1.5	720,898	5.3	507,597	338.0
System development business	1,439,477	10.4	1,442,464	10.5	2,986	100.2
Human resources business	3,024,976	21.8	2,960,945	21.6	△64,031	97.9
Ground investigation and improvement business	8,020,608	57.9	8,085,933	58.9	65,325	100.8
Guarantee inspection business	152,271	1.1	126,985	0.9	△25,285	83.4
Construction technology business	240,763	1.7	204,191	1.5	△36,571	84.8
Overseas business	487,444	3.5	77,638	0.6	△409,806	15.9
Other business	269,870	1.9	99,860	0.7	△170,009	37.0
Total	13,848,713	100.0	13,718,918	100.0	△129,795	99.1

(Note) Regarding segment profit and loss, please refer to “2. Interim consolidated financial statements and major notes (4) Notes regarding interim consolidated financial statements (Notes on Segment Information, etc.)” on page 11 .

(2) Explanation of financial position for the interim period ended September 30, 2024

(Assets section)

Total assets for the current interim consolidated accounting period was JPY 16,812,535,000, a decrease of JPY 1,239,239,000 from the end of the previous consolidated fiscal year. This was mainly due to decreases in notes receivable, accounts receivable-trade, and contract assets.

(Liabilities section)

Total liabilities for the current interim consolidated accounting period was JPY 13,988,416,000, a decrease of JPY 942,660,000 from the end of the previous consolidated fiscal year. This was mainly due to a decrease in short-term loans payable.

(Net asset section)

Total net assets for the current interim consolidated accounting period decreased by JPY 296,579,000 from the end of the previous fiscal year to JPY 2,824,118,000. This was mainly due to a decrease in retained earnings caused by the recording of a interim net loss attributable to owners of the parent company.

(3) Explanation regarding future earnings forecast information such as consolidated earnings forecasts

Due to the nature of our group's business, sales are recorded more in the second half of the fiscal year (acceptance inspection period and busy season), and as a result expenses are expected to continue until the end of the fiscal year. Therefore, although the business results for the current interim consolidated accounting period differ from the consolidated business forecast, the consolidated business forecast for the fiscal year ending March 2025 has not changed from the time it was announced on May 15, 2024.

If any matters that require disclosure arise in the future, we will notify you in a prompt manner.

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2. Interim consolidated financial statements and major notes

(1) Interim consolidated balance sheet

(Unit: JPY Thousand)

	Previous consolidated fiscal year (ended on March 31, 2024)	Current interim consolidated accounting period (ended on September 30, 2024)
Assets section		
Current assets		
Cash and deposits	4,994,190	4,140,635
Notes receivable, accounts receivable and contract assets	5,847,730	4,916,906
Operating loans	18,112	13,234
Goods and products	183,782	189,548
Unfinished construction expenditure	151,433	235,224
Real estate for sale	906,727	961,221
Work in process	19,996	168,000
Raw materials and supplies	140,546	146,748
Others	1,066,547	1,415,575
Allowance for doubtful accounts	△20,579	△21,297
Total current assets	13,308,488	12,165,795
Fixed asset		
Tangible fixed assets		
Buildings and structures	481,500	495,322
Leased asset	372,034	358,875
Others	1,572,027	1,591,085
Total tangible fixed assets	2,425,562	2,445,282
Intangible fixed assets		
Goodwill	617,132	545,247
Others	451,580	456,523
Total intangible fixed assets	1,068,713	1,001,771
Investments and other assets		
Investment securities	123,377	116,747
Deferred tax assets	279,924	266,580
Others	886,543	856,950
Allowance for doubtful accounts	△41,009	△40,680
Total investments and other assets	1,248,836	1,199,598
Total fixed assets	4,743,111	4,646,652
Deferred assets	175	87
Total assets	18,051,775	16,812,535
Liabilities section		
Current liabilities		
Notes payable and accounts payable	1,717,276	1,780,066
Short-term loans	6,922,409	6,359,000
Corporate bonds scheduled to redeem within one year	10,000	5,000
Long-term loans scheduled to redeem within one year	365,460	390,722
Lease obligation	142,787	137,750
Accounts payable	961,586	734,191
Accrued corporate taxes, etc.	210,015	93,351
Allowance for bonuses	292,494	270,849
Others	1,226,397	1,124,300
Total current liabilities	11,848,427	10,895,231
Fixed liabilities		
Long-term loans	2,305,286	2,341,760
Lease obligation	324,687	302,450
Reserve for guarantee losses	40,311	52,034
Liabilities related to retirement benefits	52,851	43,703
Others	359,512	353,237
Total fixed liabilities	3,082,649	3,093,185
Total liabilities	14,931,077	13,988,416

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(Unit: JPY Thousand)

	Previous consolidated fiscal year (ended on March 31, 2024)	Current interim consolidated accounting period
Net assets section		
Shareholders' equity		
Capital	1,909,570	1,909,570
Capital surplus	2,991,881	439,741
Retained earnings	△1,881,601	377,853
Treasury stock	—	△100
Total shareholders' equity	3,019,849	2,727,064
Accumulated other comprehensive income		
Valuation difference on other securities	2,410	1,800
Foreign currency translation adjustment account	△127,130	△115,700
Total accumulated other comprehensive income	△124,720	△113,900
Stock acquisition right	6,840	6,840
Non-controlling interests	218,728	204,114
Total net assets	3,120,698	2,824,118
Total liabilities and net assets	18,051,775	16,812,535

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(2) Interim consolidated statements of income and interim consolidated comprehensive income statements

(Interim consolidated statements of income)

(Unit: JPY Thousand)

	Previous interim consolidated accounting period (From April 1, 2023 to September 30, 2023)	Current interim consolidated accounting period (From April 1, 2024 to September 30, 2024)
Sales	13,848,713	13,718,918
Cost of sales	10,396,421	10,400,813
Gross profit	3,452,292	3,318,104
Selling, general and administrative expenses	3,483,691	3,397,107
Operating loss (△)	△31,399	△79,002
Non-operating income		
Interest income	958	1,173
Dividend income	186	468
Grant income	9,924	6,564
Insurance surrender value	—	6,682
Foreign exchange gain	76,521	—
Investment gain on equity method	499	281
Others	18,435	8,957
Total non-operating income	106,525	24,127
Non-operating expenses		
Interest expense	38,035	54,961
Non-deductible consumption tax	6,181	4,866
Foreign exchange loss	—	33,125
Others	19,103	21,376
Total non-operating expenses	63,321	114,330
Ordinary income or loss (△)	11,805	△169,205
Special profit		
Gain on sale of fixed assets	4,395	2,581
Gain on business transfer	171,788	—
Others	13,078	—
Total special profit	189,262	2,581
Special loss		
Loss on sale and disposal of fixed assets	24,766	10,820
Office relocation costs	1,717	11,341
Special investigation costs, etc.	159,079	—
Others	21,675	—
Total special loss	207,237	22,162
Interim net loss before taxes and other adjustments (△)	△6,170	△188,785
Corporate tax, resident tax and business tax	237,202	90,411
Corporate tax adjustment amount	△23,940	21,312
Total corporate taxes, etc.	213,262	111,724
Interim net loss (△)	△219,432	△300,510
Interim net loss attributable to non-controlling shareholders (△)	△22,660	△20,008
Interim net loss attributable to parent company shareholders (△)	△196,772	△280,502

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(Interim consolidated comprehensive income statements)

(Unit: JPY Thousand)

	Previous interim consolidated accounting period (From April 1, 2023 to September 30, 2023)	Current interim consolidated accounting period (From April 1, 2024 to September 30, 2024)
Quarterly net loss (Δ)	$\Delta 219,432$	$\Delta 300,510$
Other comprehensive income		
Valuation difference on other securities	929	$\Delta 642$
Foreign currency translation adjustment account	$\Delta 43,619$	11,430
Total other comprehensive income	$\Delta 42,690$	10,788
Interim comprehensive income	$\Delta 262,123$	$\Delta 289,721$
(breakdown)		
Interim comprehensive income related to parent company shareholders	$\Delta 239,463$	$\Delta 269,681$
Interim comprehensive income related to non- controlling shareholders	$\Delta 22,659$	$\Delta 20,039$

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(3) Interim consolidated cash flow statement

(Unit: JPY Thousand)

	Previous interim consolidated accounting period (From April 1, 2023 to September 30, 2023)	Current interim consolidated accounting period (From April 1, 2024 to September 30, 2024)
Cash flow from operating activities		
Interim net loss before taxes and other adjustments (Δ)	Δ6,170	Δ188,785
Depreciation expense	254,226	249,383
Goodwill amortization amount	71,858	71,885
Increase/decrease in allowance for doubtful accounts (Δ indicates a decrease)	7,728	389
Interest and dividends received	Δ1,144	Δ1,642
Increase/decrease in reserve for bonuses (Δ indicates a decrease)	Δ23,220	Δ21,644
Foreign exchange gain/loss (Δ indicates a profit)	Δ76,521	33,125
Interest expense	38,035	54,961
Equity method investment profit/loss (Δ indicates a profit)	Δ499	Δ281
Office relocation costs	1,717	11,341
Insurance surrender value	—	Δ6,682
Gain/loss on business transfer (Δ indicates a profit)	Δ171,788	—
Special investigation costs, etc.	159,079	—
Increase/decrease in trade receivables (Δ indicates an increase)	1,495,640	941,946
Increase/decrease in inventories (Δ indicates an increase)	Δ682,469	Δ298,254
Increase/decrease in trade payables (Δ indicates a decrease)	46,666	48,838
Others	184,240	Δ399,259
Subtotal	1,297,379	495,320
Amount of interest and dividends received	1,144	1,642
Interest payment amount	Δ33,147	Δ52,759
Amount paid for office relocation expenses	Δ1,717	Δ11,341
Amount of insurance surrender value received	—	7,391
Settlement amount paid	Δ3,500	—
Amount paid for special investigation costs, etc.	Δ159,079	—
Amount of corporate tax, etc. paid	Δ240,088	Δ206,393
Cash flow from operating activities	860,991	233,859
Cash flow from investing activities		
Expenditure due to deposits in term deposits	Δ140,584	Δ46,305
Income from withdrawal of term deposits	427,245	159,839
Expenditures for acquisition of tangible fixed assets	Δ110,145	Δ189,957
Proceeds from sale of tangible fixed assets	47,167	18,436
Expenditures for acquisition of intangible fixed assets	Δ79,548	Δ10,927
Proceeds from sale of investment property	—	32,076
Expenses from loans	Δ1,287	Δ302,767
Income from loan collection	768	991
Expenditures for acquisition of investment securities	Δ68,038	Δ86
Proceeds from sale of investment securities	13,000	6,365
Expenses due to deposit of security deposit	Δ2,406	Δ2,754
Income from collection of security deposit	16,445	17,900
Income from cancellation of insurance reserve fund	—	5,355
Others	13,575	Δ26,955
Cash flow from investing activities	116,191	Δ338,789
Cash flow from financing activities		
Income from short-term borrowings	2,197,494	10,730,000
Expenses due to repayment of short-term loans payable	Δ2,292,576	Δ11,293,409
Income from long-term borrowings	30,000	310,000
Expenses due to repayment of long-term loans payable	Δ310,552	Δ248,769
Expenses due to redemption of corporate bonds	Δ131,000	Δ5,000
Expenditures for acquisition of subsidiary shares without change in scope of consolidation	—	Δ2,000
Expenditures for acquisition of treasury stock	Δ136	Δ100
Amount of dividends paid to non-controlling shareholders	Δ6,000	—
Expenditures for repayment of finance lease obligations	Δ52,717	Δ122,501
Cash flow from financing activities	Δ565,487	Δ631,780
Exchange differences on cash and cash equivalents	6,750	Δ3,230
Increase/decrease in cash and cash equivalents (Δ indicates a decrease)	418,446	Δ739,940
Opening balance of cash and cash equivalents	3,293,359	4,794,906
Cash and cash equivalents at end of interim period	3,711,805	4,054,965

(4) Notes regarding interim consolidated financial statements

(Notes regarding going concern assumption)

No applicable items.

(Notes when there is a significant change in the amount of shareholders' equity)

No applicable items.

(Changes in accounting policy)

(Application of “Accounting Standards for Corporate Tax, Resident Tax, Business Tax” etc.)

“Accounting Standards for Corporation Tax, Resident Tax, Business Tax, etc.” (Corporate Accounting Standards No. 27, October 28, 2022; hereinafter referred to as “2022 Revised Accounting Standards”), etc. has been applied from the beginning of the current interim consolidated accounting period.

Regarding revisions to the classification of recording corporate taxes, etc. (taxation on other comprehensive income), we have been subject to the transitional treatment stipulated in the proviso to Paragraph 20-3 of the 2022 Revised Accounting Standards and the transitional treatment stipulated in the proviso to Paragraph 65-2 (2) of the “Guidelines for Application of Accounting Standards for Tax Effect Accounting”(Corporate Accounting Standards Application Guidance No. 28, October 28, 2022; hereinafter referred to as “2022 Revised Application Guidance”). Please note that this change in accounting policy has no impact on the interim consolidated financial statements.

In addition, regarding the amendments related to the review of the treatment in consolidated financial statements in the case of deferring gains and losses on sales resulting from the sale of subsidiary stocks, etc. between consolidated companies for tax purposes, we have applied the 2022 revised application guidelines since the beginning of the current interim consolidated accounting period.

This change in accounting policy has been applied retrospectively, and the interim consolidated financial statements and consolidated financial statements for the previous interim consolidated accounting period and the previous consolidated fiscal year have been updated after the retrospective application. Please note that this change in accounting policy has no impact on the interim consolidated financial statements for the previous interim consolidated accounting period or the consolidated financial statements for the previous consolidated fiscal year.

(Regarding changes in sales recording method)

ITbook Co., Ltd., a consolidated subsidiary of the Company, states that with respect to revenue generated from consulting business, performance obligations that are satisfied over a certain period of time are calculated as a percentage of the total estimated costs (input costs) if the progress can be reasonably estimated. If progress cannot be reasonably estimated, revenue is recognized on a cost recovery basis until a reasonable estimate can be made.

A new system has been in operation since April 2024 with the aim of further rationalizing and increasing efficiency of management and operations. The new system provides information necessary for estimating the progress of all projects, which has enabled us to manage and understand information centrally.

Therefore, from the current interim consolidated accounting period, for all projects for which the order amount has been determined, we have changed to a method of recognizing revenue over a certain period of time based on the degree of progress in satisfying the performance obligation to transfer goods or services to the customer.

This change in accounting policy will be applied prospectively from the current consolidated fiscal year forward because the necessary data regarding past years has not been accumulated and it is practically impossible to apply retrospectively.

Furthermore, for the current interim consolidated accounting period, sales increased by JPY 531,504,000, cost of sales increased by JPY 283,326,000, and operating income, ordinary income, and interim net income before taxes each increased by JPY 248,178,000.

(Application of accounting treatments specific to the preparation of interim consolidated financial statements)

Calculation method of estimated bad debts for general receivables

Since it is recognized that there is no significant change in the actual rate of bad debts at the end of the current interim consolidated accounting period compared with that calculated at the end of the previous consolidated fiscal year, we have used the actual rate of bad debts at the end of the previous consolidated fiscal year to estimate bad debts.

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(Notes on segment information, etc.)

【Segment information】

I. Previous interim consolidated accounting period (from April 1, 2023 to September 30, 2023)

1. Information regarding the amount of sales and profits or losses for each reportable segment, as well as revenue disaggregation information

(Unit: JPY Thousand)

	Reportable segment								Others	Total
	Consulting business	System development business	Human resources business	Ground investigation and improvement business	Guarantee inspection business	Construction technology business	Overseas business	Sub-total		
Sales										
Revenue from contracts with customers	213,301	1,439,477	3,024,976	8,020,608	152,271	240,763	487,444	13,578,843	269,870	13,848,713
Sales to external customers	213,301	1,439,477	3,024,976	8,020,608	152,271	240,763	487,444	13,578,843	269,870	13,848,713
Internal sales or transfers between segments	—	31,899	15,849	8,998	66,996	32,807	6,300	162,852	21,687	184,539
Total	213,301	1,471,376	3,040,826	8,029,607	219,268	273,571	493,745	13,741,695	291,557	14,033,253
Segment profit or loss (Δ)	Δ259,369	28,517	151,912	271,378	23,742	Δ10,332	9,311	215,160	Δ726	214,433

2. Difference between the total amount of profit or loss of reportable segments and the amount recorded in the interim consolidated income statement, and the main details of the difference (Matters regarding difference adjustment)

(Unit: JPY Thousand)

Profit	Amount
Reportable segment total	215,160
Loss in "Other" category (Δ)	Δ726
Elimination of intersegment transactions	239,337
Amortization of goodwill	Δ69,879
Company-wide expenses (Note)	Δ415,290
Operating loss (Δ) in the interim consolidated income statement	Δ31,399

(Note) Company-wide expenses are mainly general and administrative expenses that do not belong to any reportable segment.

3. Information regarding impairment losses on fixed assets or goodwill, etc. for each reportable segment (Significant impairment loss related to fixed assets)

No applicable items.

(Significant changes in the amount of goodwill)

No applicable items.

(Important gain on negative goodwill)

No applicable items.

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II. Current interim consolidated accounting period (from April 1, 2024 to September 30, 2024)

1. Information regarding the amount of sales and profits or losses for each reportable segment, as well as revenue disaggregation information

(Unit: JPY Thousand)

	Reportable segment								Others	Total
	Consulting business	System development business	Human resources business	Ground investigation and improvement business	Guarantee inspection business	Construction technology business	Overseas business	Sub-total		
Sales										
Revenue from contracts with customers	720,898	1,442,464	2,960,945	8,085,933	126,985	204,191	77,638	13,619,057	99,860	13,718,918
Sales to external customers	720,898	1,442,464	2,960,945	8,085,933	126,985	204,191	77,638	13,619,057	99,860	13,718,918
Internal sales or transfers between segments	2,606	35,412	21,179	16,342	68,583	36,051	22,130	202,307	46,814	249,121
Total	723,504	1,477,877	2,982,125	8,102,276	195,568	240,243	99,768	13,821,364	146,675	13,968,040
Segment profit or loss (△)	△75,603	29,137	63,391	187,146	46,963	△10,178	△35,589	205,266	△72,712	132,554

2. Difference between the total amount of profit or loss of reportable segments and the amount recorded in the interim consolidated income statement, and the main details of the difference (Matters regarding difference adjustment)

(Unit: JPY Thousand)

Profit	Amount
Reportable segment total	205,266
Loss in "Other" category (△)	△72,712
Elimination of intersegment transactions	324,887
Amortization of goodwill	△69,879
Company-wide expenses (Note)	△466,564
Operating loss (△) in the interim consolidated income statement	△79,002

(Note) Company-wide expenses are mainly general and administrative expenses that do not belong to any reportable segment.

3. Information regarding impairment losses on fixed assets or goodwill, etc. for each reportable segment

No applicable items.

(Significant changes in the amount of goodwill)

No applicable items.

(Important gain on negative goodwill)

No applicable items.

(Important subsequent events)

No applicable items.